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Superintendent

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To: District and County Superintendents

From: Madalyn Quinlan, Chief of Staff

Subject: Legislative Changes to School Funding for FY2004

The legislature made a number of changes in the school funding system on April 26, the last day of the 2003 legislative session. This memo contains a brief summary of the legislative actions affecting K-12 education in Senate Bill 424 and House Bill 2 (the general appropriations bill). This memo also includes information on OPI's timelines for providing schools with revised Budget Data Sheets and other budget tools.

Senate Bill 424:

- SB 424 increases the basic and per-ANB entitlements by 1.1% in FY04 and 2.07% in FY05. The specific entitlement amounts are shown in the following table:

General Fund Entitlements	FY2003	FY2004	FY2005
Basic Entitlement – Elementary	\$19,244	\$19,456	\$19,859
Basic Entitlement – High School	\$213,819	\$216,171	\$220,646
Per-ANB Entitlement – Elementary	\$3,906	\$3,949	\$4,031
Per-ANB Entitlement – High School	\$5,205	\$5,262	\$5,371

- Beginning in FY2005, school districts will only be able to charge the retirement fund for retirement benefits associated with employees paid from state and local funds or the school food services fund. Cooperatives will only be able to charge the retirement fund for retirement benefits associated with employees paid from the cooperative's interlocal agreement fund if the interlocal agreement fund is supported solely from districts' general fund and state special education allowable cost payments.
- In FY2004, the amount of benefits that a school district or cooperative can charge to the retirement fund for federally-salaried employees is limited to the amount that the district charged to the retirement fund in FY2003 for federally-salaried employees. The limitation is on the dollar amount charged not the number of positions that may be charged.
- The HB 124 block grant for the county retirement fund is eliminated beginning in FY2004.

- The HB 124 block grant for the district transportation fund is cut in half effective FY2004.
- The HB 124 block grant for the debt service fund is eliminated effective FY2004.
- The on-schedule pupil transportation rate is increased as shown in the chart below. The weighted ridership concept and the November ridership count for high school students are eliminated.

Rated Capacity of School Bus	Reimbursement rate per bus mile
Less than 50 passengers	\$.95
50-59 passengers	\$1.15
60-69 passengers	\$1.36
70-79 passengers	\$1.57
80 or more passengers	\$1.80

- School facility reimbursements (paid to the district debt service fund) are increased to \$8,270,735 in FY04 and \$8,411,293 in FY05 in HB 2. The school facility entitlements and guaranteed mill value in SB 424 are increased to match the higher appropriation. In addition, eligibility for school facility payments has been expanded to include general obligation bonds sold before July 1, 1991.
- SB 424 creates a combined fund block grant that schools may deposit in any budgeted fund of the district. The combined fund block grant replaces the HB 124 block grants to the district tuition, bus depreciation, building reserve, nonoperating and adult education funds.
- For 2003, school districts may cancel their general fund levy election and reschedule the election for any time prior to the adoption of the final FY2004 budget.
- SB 424 establishes an automatic inflationary adjustment to the basic and per-ANB entitlements starting in FY2006. The inflationary adjustment will be used to determine the "present law base budget." The Governor may propose an education budget that is higher or lower than the present law base. The purpose of the present law base budget is to provide a basis of comparison for reporting the amount of "new money" for schools.

Some companion measures include:

- State Special Education payments are increased by \$1.5 million in FY2005. (GTB costs associated with the special education increase add another \$300,000 to schools in FY2005.)
- The appropriation for K-12 BASE aid is increased by \$6.3 million in FY2004 and by \$14.2 million in FY2005 to implement the various pieces of legislation that effect the appropriation for K-12 BASE aid.
- The HB 124 block grants are set at \$49.5 million in FY2004 and \$49.8 million in FY2005. This reduced funding level reflects the diversion of block grants adopted in SB 424.
- The appropriation for state pupil transportation reimbursements is set at \$12.1 million in FY2004 and \$12.1 million in FY2005.

- At this point, there is no funding for the school flexibility fund. But, HB 2 provides up to \$5 million in appropriation authority if any grants can be identified that are designated for school district staff recruitment, retention or retirement incentives.
- Schools will once again receive technology fund payments in FY2005. The amount of money distributed to schools in FY2005 will be contingent on the volume of timber harvest from state school trust lands.

OPI staff is working to update the budget tools that we provide to assist districts in preparing their budgets.

General Fund Spreadsheets

Our School Finance Division has already posted an updated Excel spreadsheet on the OPI website to assist districts with the preparation of their general fund budgets. The spreadsheet can be found at <http://www.opi.state.mt.us/schoolfinance/excel.html>.

Updated Budget Data Sheets

OPI will revise the Budget Data Sheets for FY 2004. We expect to post them on the OPI web site during the week of May 5th.

Tuition Rates

Maximum tuition rates are limited to 20% of the per-student entitlements for the year of attendance (MCA 20-6-323). In FY2004, the maximum tuition rates will be \$790 for grades 1-8 and \$1,052 for grades 7-8 (accredited program) and 9-12.

Pupil Transportation Payments

OPI will update the Excel Transportation Fund spreadsheets by June 1 to reflect new bus mileage rates by bus size category. The updated spreadsheets will be posted on the OPI website.

School Facility Payments

The revised Budget Data Sheets will update the statewide mill value that is used for calculating school facility payments. This concept is now referred to as the "facility guaranteed mill value per ANB."

If your district is contemplating a school bond election or has recently sold a school bond, OPI will recalculate your eligibility for school facility advances upon request. Please contact Bonnie Maze at 444-3249 for questions regarding school facility payments.

I hope that this information is helpful and timely. Our School Finance division will be providing budget updates and announcements in the weeks ahead. I encourage you to contact our School Finance staff at 406-444-4401 if you have any questions. We need to hear from you in order to learn how we can best serve your needs.